

SPU Water Service Acquisition

Frequently Asked Questions

1. Why is the City considering getting into the water service business?

Approximately two-thirds of the City of Shoreline is provided water service by Seattle Public Utilities (SPU). Since Seattle owns and operates the system, there have been long standing concerns that our residents do not have any direct representation on rate setting decisions, how the system is maintained or how the system is improved through capital improvements. Additionally Shoreline ratepayers are assessed a 14% surcharge for being outside of Seattle.

2. What are the benefits to the City providing the service over Seattle Public Utilities?

Through the Shoreline City Council, residents within the current SPU service area would have direct representation on the decisions that affect their costs and service. The utility revenues collected would be reinvested in the system within the Shoreline service area limits – as opposed to being spread throughout the entire SPU system. Because Seattle has a much larger system to maintain, the City of Shoreline is concerned that SPU often defers maintenance to its infrastructure in Shoreline. The City would provide the appropriate level of maintenance and system improvements over time to address such issues as fire protection and utility upgrades to facilitate redevelopment of our key corridors.

3. How much will it cost to purchase the system?

Shoreline and the City of Seattle have reached a tentative agreement for the City of Shoreline to purchase the water system for \$25 million. The City Council has set a requirement to pursue the acquisition of this system only if the cost to purchase the utility and all of the other operating costs can be assembled in a budget that results in a rate structure that is equal to or less than SPU rates projected over a reasonable period of time. The City is currently pursuing a detailed financial and feasibility review to see if this is possible. If it is not, then the service would remain with SPU.

4. How would the City pay for the system? Will the City use general government bonds to finance the purchase?

The purchase price, or debt service, is ultimately paid back by the rate payers inside the acquired service area. Residents outside that service area would not pay any cost associated with the acquired utility. The City will not issue General Obligation (GO) bonds for the purchase, but rather Revenue Bonds that are paid for by revenue generated by rates charged to the utility's customers.

5. The City does not presently own or operate a water utility; what experience does the city have in managing, owning and maintaining a water system?

The City has successfully owned and operated the Storm Water Utility since 1998. The parallels to maintenance, management, rates, CIP and customer service are very applicable. In addition, two key management positions – Public Works Director and Administrative Services Director - have had considerable experience in managing similar and even far more complex utilities.

6. How will the purchase affect rates, or the water bills, for businesses and homeowners?

The City would pursue purchasing the SPU system only if the City can create a utility that has a rate structure, and therefore a water bill, that is equal to or less than the SPU water rates projected over a reasonable period of time.

7. Will my water bill be affected if I'm a Shoreline Water District customer?

No. Since Revenue Bonds would be used to purchase the SPU system, only rate payers within the SPU service area would pay any cost related to the utility.

8. Will the City also purchase the Shoreline Water District at the same time?

No. The decision to purchase the SPU system is a decision specific to only that system.

9. Is the City required to hold a public vote on the purchase?

While State law is ambiguous on this issue, the Council has decided that an issue this significant should be made by the citizens of Shoreline. If a reasonable purchase price is found that fits the City's financial feasibility model, then a vote would occur.

10. How will the decision be made?

While ultimately the decision will be made by all the voters of Shoreline, the decision to move forward with a purchase and sale agreement will start with a decision by the City Council. Before the Council can make such a decision, the Council must examine a detailed financial feasibility report that would test the purchase price and all of the other operating expenses against the acquired utility's projected revenue. The City Council would determine if the utility could be purchased and operated at rates equal to or less than SPU rates. During this period, the City will engage the community through a public participation and outreach process to inform our citizens and those affected rate payers. If the Council decides to pursue the acquisition, then the public process would continue, culminating in a public vote. If the Council decides not to pursue the acquisition, then the process would stop and the service would remain with SPU.

11. When will the decision be made?

It is the intent of the City of Seattle and the City of Shoreline to complete a draft agreement by mid-2012. However, since the two cities are in the process of negotiating, the timeline is subject to change.

12. When would a vote take place?

The timing of a vote is currently anticipated for the fall of 2012. This assumes successful negotiations would be completed by mid-2012.

13. What opportunities will there be to provide public input on this decision?

The City is committed to a meaningful and robust public participation and outreach process. While the details may be complex, this does represent a unique opportunity for residents to decide for themselves how they want to be represented within this service area and how they want to invest in the long-term water service infrastructure. The City anticipates offering a wide-variety of opportunities for the public to provide input, including open houses, neighborhood meetings, forums, newsletters and articles, Council study sessions and web access to articles, reports, and comments. Ultimately, any public process would culminate in a public vote.